

**WORKFORCE SYSTEMS LETTER NO.: 06-01****DATE:** November 28, 2005

<b>EFFECT:</b>	<u><b>ACTION</b></u>	<u><b>INFO</b></u>	<u><b>WITH ATTACHMENT</b></u>
	<input type="checkbox"/> ]	<input checked="" type="checkbox"/> SWAs	<input type="checkbox"/> ]
	<input type="checkbox"/> ]	<input checked="" type="checkbox"/> All Grantees	<input type="checkbox"/> ]

**SUBJECT: Codification of OMB Cost Principles Circulars at 2 CFR Subtitle A**

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1. **Purpose:** The purpose of this letter is to provide ETA's workforce development grantees with notification of the codification of the OMB Cost Principles Circulars in Title 2 of the *Code of Federal Regulations* (CFR).

2. **Background:** On May 11, 2004, in keeping with the objective of the Federal Financial Assistance Management Improvement Act of 1999 (Public Law 106-107) to streamline and simplify the policy framework for grants and agreements, OMB established Title 2 CFR with two subtitles. Subtitle A, "Government-wide Grants and Agreements," contains OMB policy guidance to Federal agencies on grants and agreements. Subtitle B, "Federal Agency Regulations for Grants and Agreements," will contain Federal agencies' regulatory implementation of OMB guidance, as it applies to grants and other financial assistance agreements.

Simultaneous with the establishment of Title 2 CFR, OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations," was codified in Title 2 CFR 215. The Department of Labor's implementing regulations for OMB Circular A-110 currently remain at 29 CFR 95.

On August 31, 2005, OMB published a Final Notice in the *Federal Register*. The effect of this notice was to codify three of the OMB Cost Principles Circulars and one other document, "Guidance for Government-wide Debarment and Suspension (Nonprocurement)" in Title 2 of the CFR.

- A. OMB Circular A-21, "Cost Principles for Educational Institutions" was codified at 2 CFR 220.
- B. OMB Circular A-87, "Cost Principles for State, Local and Tribal Governments" was codified at 2 CFR 225.
- C. OMC Circular A-122, "Cost Principles for Non-Profit Organizations" was codified at 2 CFR 230.
- D. "Guidance for Government-wide Debarment and Suspension (Nonprocurement)" was codified at 2 CFR 180.

**3. Discussion:** The OMB Cost Principles Circulars have been codified in Title 2 of the CFR without any substantive changes to these documents. The documents are the same versions which resulted from the last revision of the OMB Cost Principles Circulars in May 2004. These Circulars provide general, government-wide policy guidance from OMB.

Specific Department of Labor guidance on the implementation of the OMB Circulars in the form of Uniform Administrative Requirements remains in Title 29 CFR, specifically Part 95 for non-profit organizations and Part 97 for states and local governments. At some time in the future, the Department's implementing regulations will be moved to Subtitle B of 2 CFR.

It should be noted that the OMB Cost Principles Circulars (A-21, A-87 and A-122) and OMB Uniform Administrative Requirements Circulars (A-102 and A-110) contain certain items which are left to the determination of the various Federal agencies. These items are specified in the agencies' implementing regulations. For example, OMB Circular A-122 (2 CFR 230, Appendix A, paragraph A.5.c.) refers the reader to OMB Circular A-110 (2 CFR 215.24) for rules governing Program Income. The rules at 2 CFR 215.24 list all the methods of treating Program Income, including the additive, deductive and non-Federal share supporting methods of treatment. The Department of Labor's implementing regulations at 29 CFR 95.24 and the WIA program regulations at 20 CFR 667.200(a)(5) specify that grantees shall use the additive method of treating Program Income.

The guidance updated by OMB's codification of the "Guidance for Government-wide Debarment and Suspension" at 2 CFR 180 originated with Executive Order 12549, "Debarment and Suspension," issued in 1986. The guidance has been revised twice since OMB first issued it in 1987. The effect of the August 31, 2005 codification of this guidance in the *Code of Federal Regulations* is to publish this OMB guidance in a form that Federal agencies can adopt without having to reiterate the full text of the guidance in their implementing regulations. The Department of Labor's implementing regulations for "Debarment and Suspension" currently remain at 29 CFR 98.

**4. Action:** Title 2 of the *Code of Federal Regulations* is published annually updated through January 1<sup>st</sup> of each year. CFR publications updated through January 1<sup>st</sup> are usually available in the following March. Since the Final Rule was published in the *Federal Register* in August 2005, these changes will not be available in the published CFR until approximately March 2006.

The full text of these changes is available in the *Federal Register* of August 31, 2005, pages 51862 through 51943. The text of these changes is available on-line and can be accessed through the index of the August 31, 2005 *Federal Register* at [www.access.gpo.gov/su\\_docs/fedreg/a050831c.html](http://www.access.gpo.gov/su_docs/fedreg/a050831c.html) under the articles published by the Management and Budget Office.

ETA grantees should ensure that their agencies' fiscal and administrative officers and those of their subgrantees are aware of the codification of the OMB Circulars in 2 CFR. In particular, while 29 CFR remains the location of the Department of Labor's implementing regulations for Uniform Administrative Requirements (Parts 95 and 97) and Debarment and Suspension (Part 98), regulations implementing Cost Principles are now to be found at 2 CFR Subtitle A.

**5. Inquiries:** If you have any questions concerning this issuance, please contact Tom Dalton, Chief, Division of Financial and Performance Services at 617-788-0113 or [dalton.thomas@dol.gov](mailto:dalton.thomas@dol.gov)

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